

DOCUMENT RESUME

ED 367 832

CE 065 888

AUTHOR Geale, John
TITLE Good Practice in Continuing Vocational Education:
Financial Control and Encouragement. UCACE Occasional
Paper No. 12.
INSTITUTION Universities Council for Adult and Continuing
Education, Leicester (England).
SPONS AGENCY Department of Education and Science, London
(England).
PUB DATE Jul 92
NOTE 46p.; For related documents, see ED 361 519 and CE
065 886-887.
PUB TYPE Reports - Research/Technical (143)
EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Colleges; *Continuing Education; *Educational
Administration; Educational Development; *Educational
Finance; Educational Policy; Financial Policy;
Foreign Countries; Postsecondary Education;
*Vocational Education
IDENTIFIERS *Great Britain

ABSTRACT

Respondents to a good practice questionnaire (n=27) rated financial administration as the factor most impeding development of continuing vocational education (CVE) in Britain. A discussion paper identified four critical areas for this inquiry: costing, pricing, overheads, and incentives. Of the 30 universities to which the paper was sent, 21 agreed to be visited. Findings indicated that all universities accepted the requirement for CVE to be self-financing and adopted their own definition. The primary objective of CVE was rarely income generation, although this was likely to be a necessary condition for sustainability. Universities believed CVE budgeting and accounting should be managed by staff who understand CVE and are trusted professional colleagues in its administration; the ways in which financial regulations were administered were often more important than the regulations. Other findings were as follows: CVE units needed to combine academic credibility and strong links with central administration; the opportunity cost of CVE was rarely fully included in the costing of courses; overheads were extremely variable, as was the range of services they included; much financial administration was driven by costs; and some universities were creating conflicting pressures on CVE units by requiring them to be self-financing and accept institutional responsibilities. (Appendixes include summaries of the financial arrangements at the 21 universities visited.) (YLB)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

✓ This document has been reproduced as
received from the person or organization
originating it.
• Minor changes have been made to improve
reproduction quality.

- Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

C. Burke

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC)"

BEST COPY AVAILABLE

*Financial Control and
Encouragement*

by John Geale, University of Lancaster

Preface

This paper was produced as part of a Department for Education funded project on Good Practice in University Continuing Vocational Education. It is one of four 'key issue' reports which have been produced as UCACE Occasional Papers.

Copies of all four reports can be obtained from the UCACE Office, Department of Continuing Education, University of Warwick, Coventry, CV4 7AL.

The four reports are:

- The Internal Organisation of Continuing Education
- The Role of Academic Staff
- Buildings/Capital Investment
- Financial Control and Encouragement

CONTENTS

1.	INTRODUCTION	1
2.	METHODOLOGY	2
	2.1 Good Practice Questionnaire	
	2.2 Discussion Paper	
	2.3 University Visits	
	2.4 Feedback	
	2.5 References	
3.	BACKGROUND	3
	3.1 Institutional Objectives	
	3.2 Institutional Structures	
	3.3 Terminology	
4.	ADMINISTRATIVE SYSTEMS	9
	4.1 Planning	
	4.2 Operation	
	4.3 Tax	
5.	FINANCIAL CONTROL	11
	5.1 Budgets and Pricing	
	5.2 Overheads	
	5.3 Performance Indicators	
6.	FINANCIAL ENCOURAGEMENT	15
	6.1 Departmental Incentives	
	6.2 Individual Control and Incentives	
7.	CONCLUSIONS	18
	APPENDICES:	21
	Summaries of the financial arrangements at the 21 universities visited.	

1. INTRODUCTION

This is a report of one of the 'key issues' identified by the Universities Council for Adult Continuing Education (UCACE) in their project on good practice in continuing vocational education (CVE) and funded by the Department for Education (DFE). The work on this issue spans much the same period as the project of which it is only a small part, as it started with this project's questionnaire in May 1991. This was followed by nearly a year in which case-studies and regional seminars were undertaken.

Only one case-study made reference to this particular key issue - perhaps because the studies were examples of 'good practice' and this was the issue rated most highly as impeding the development of CVE.

At the regional seminars and national conferences held between May '91 and April '92 three related characteristics of good practice were highlighted - quality, sustainability and integration. **Sustainability and integration** are major themes of the project as a whole and of this report.

Finally, this report inevitably impinges on other key issues - particularly those on the 'internal organisation of CE' and 'departmental management' (which included separate studies on 'mainstreaming' and 'integration'). This report does not, therefore, attempt to describe comprehensively how CVE can best be managed, nor offer a blue-print for financial administration. It **should help universities to fine tune their existing systems**. All universities now have well established CVE activities, professionally managed, and making very substantial CVE provision - some 9,000 vocational 'updating' courses with 200,000 participants in 1990/91.

The following paper contains some practical examples and ideas for UCACE members who may feel that the balance between financial encouragement and control might be improved in their own university.

John Geale
July 1992

2. METHODOLOGY

This key issue was investigated in four stages by Paul Milne (PM) and John Geale (JG).

			Sample Size (no. of Universities)
(i)	May '91	Good practice questionnaire circulated to all UCACE member institutions	53
	Feb '92	Key issue investigators (PM and JG) met twice to discuss the responses, explore the critical areas, and agree the methodology	27
(ii)	April '92	PM prepared a paper on theory and practice which identified the areas for investigation. This was circulated to selected universities and to the RDA helping with this key issue.	30
(iii)	May/ June '92	JG visited all the universities that responded to the paper.	21
(iv)		JG further refined the 'critical areas' and summarised his findings from each visit. Each university was asked to comment on its own summary. JG drafted the final report for discussion by both investigators.	21

2.1 Good Practice Questionnaire

This constituted the first step of the good practice project as a whole and was used to identify the key issues and obtain information on them. Twenty seven universities rated the following question on whether it was 'currently impeding or encouraging the development of more and better CVE - or indeed doing both. It may be doing this by its presence, or its absence!'

**Financial Administration
(including central overheads)**

Impeding		Encouraging	
greatly	slightly	greatly	slightly
11	13	0	3
(4)	(7)		(3)

(numbers in parenthesis are the numbers in each category who were subsequently visited by JG)

The above question was the one rated by respondents as most 'impeding development of CVE'.

2.2 Discussion Paper

Paul Milne wrote an 11-page paper entitled 'Financial Control and Encouragement' which:

- Drew attention to need for a clear institutional rationale for undertaking CVE and institutional decisions on whether, or not, it should be 'mainstreamed'. These should be reflected in the financial policies for CVE.
- Defined how specific financial terms would be used in this investigation, which served also to highlight the importance of 'overheads', 'opportunity costs', etc.
- Identified four critical areas for this enquiry
 - costing (including opportunity costs)
 - pricing (who defines policy)
 - overheads (central, CE and departmental)
 - incentives (individual and department)

PM's paper was sent to 30 universities, 20 who had responded to the original questionnaire plus 10 who had not. About two-thirds of each group agreed to be visited. The sample was, however, still slightly skewed towards those who thought they were getting the balance (between financial encouragement and control) about right.

2.3 University visits

John Geale asked if he could 'spend some time with staff concerned with the financial administration of CVE' in order to 'understand not only what your university does, but why it does it'. He ended his letter with the following paragraph:

'I realize that the number of visits is somewhat ambitious. I will do whatever you suggest. For instance, you may feel that the first part (financial administration) can be dealt with quickly, supplemented by the exchange of documents, and that a small seminar (on good practice generally) with a number of colleagues interested in CVE would be the best use of time.'

The resulting discussions were wide ranging and constructive, often involving CE Directors, CVE professionals and members of Finance Departments. The visits were used equally to collect information and to discuss good practice. This was the declared intention of the whole good practice project. The project, and these visits, were used to encourage networking and the sharing of expertise, as much as to collect data. The 'process' is described here because it was more important to the project than the published outcomes, or 'product'.

2.4 Feedback

An enormous amount of material was gathered, some of it only peripherally relevant to financial administration. Paul Milne's discussion paper had identified four critical areas. These were reduced still further and the information from each university was summarised under just seven headings. These were fed back to all the universities visited and the corrected summaries are included as appendices to this report.

The final feedback was by John Geale to Paul Milne. This report has to be John's, as he made all the visits, but he was very much helped by Paul's comments and suggestions at their final meeting. John would also like to thank Bob Campbell, PICKUP RDA for the West Midlands, for his help and advice throughout the investigation.

2.5 References

- Financial Control and Encouragement
- a discussion paper. Paul Milne, University of Hull, 1992.
- Self-financing Continuing Vocational Education - a case-study. Jane Goodwin, University of Oxford, 1992.
- How to Generate a Surplus - the PICKUP guide to costing and pricing, DES 1991.
- Report of the UGC Continuing Education Working Party, January 1984.
- Training in Britain - a study of funding, activity and attitudes. Training Agency, 1989.

3. BACKGROUND

This paper is concerned with that part of continuing education which is:

- (a) reported on the Continuing Education Record (CER) and is therefore short-term, and
- (b) vocational, particularly updating provision for people in work which comes within the 'PICKUP' definition.

Long-term higher education, whether CE or not, is funded separately and unlike CVE is not required to be 'self-financing'. The Oxford research project, referred to by Jane Goodwin in her case-study, is looking at what this means. Universities have their own different definitions of self financing, however, for most CVE is an example of a market led activity within an institution which is still basically grant driven. Financial procedures are determined by this and the criteria used are not always appropriate. This difference is reducing but is still significant.

Every university states it is planning to do more, and better, CVE yet it is frequently unclear how this objective will be implemented. Universities could adopt financial procedures which were neutral and provide 'encouragement and control' through other mechanisms. Yet quantified targets for CVE rarely appear in the new, decentralised, financial and FTE plans at faculty and departmental level. Staff contracts and appraisals pay only lip-service to it. The preferred university policy is to create an environment - including a financial environment - which will encourage, but not require, their departments to implement their institutional CVE policy. Universities believe they should provide financial encouragement and, indeed, the UGC Working Party in their report in 1984 stressed financial incentives.

3.1 Institutional Objectives

There are two different questions which share some of the same answers. Why are all universities including CVE in their institutional plan and why are most of them advocating a model in which the delivery is decentralised to all subject departments in which CVE then becomes integrated within their portfolios of degrees, research, consultancy etc.? The answers to both include:

- staff development
- shop window for degree teaching and research
- employer contacts for the university's commercial services and for its students' work experience and graduate employment.
- public relations, including student recruitment.
- social concern, both in making scarce skills available to the community and by providing wider access to learning.

This list can be extended, but the point is that it is the rationale behind each university's CVE policy, and its particular strategic objectives, which should determine its financial arrangements for CVE. Some CVE programmes will contribute little to the above list and might be discouraged, or required to make a more significant contribution to:

- revenue generation.

This is rarely the primary objective of CVE but may be a necessary condition for sustainability. This point, and the university's rationale behind CVE, **need to be understood by the people responsible for its financial administration.** And the arrangements need to be sufficiently flexible to enable different types of activity to flourish which contribute different strategic benefits.

3.2 Institutional Structures

All universities now have a focus for their CVE activity. Policy is normally confirmed by a designated committee and implemented by a unit. The term 'CVE unit' is used in the appendices to protect anonymity and refers to whoever has operational responsibility. In only one of the 21 universities visited was there not at least one person who had central, university-wide, responsibilities which were exclusively CVE. This was in one of the 8 universities in which CVE was part of a wider CE department which included adult education. A further 9 had an adult education department supported by UFC funding, but had chosen to create a CVE unit independent of it. The remaining 4 had no separately funded adult programme.

The CVE units were extraordinarily varied: they could be predominantly concerned with central administrative functions, with CVE development issues, with providing course administration - or, of course, combinations of these. Eleven of the 21 did not have their own programme of CVE courses, though in 2 or 3 of these the university also had a CE department which included a substantial CVE programme. In one or two cases the CVE unit concentrated on its own programme to the point where it was only marginally involved elsewhere.

The link with central administration is extremely important in the context of this paper. Appropriate financial management must be provided by the CVE unit, or by central administration, or by a combination of the two. Where this link appears to have been neglected, it may be as a result of a deliberate policy to establish other relationships. Some work closely with staff development, industrial liaison, curriculum development, educational technology and, most particularly, with subject departments. The academic autonomy of subject departments, now being reinforced with cost centring, has made for strong distinctions between 'academic' and 'administrative' and between 'departmental' and 'central'.

It was a great pleasure to visit those universities in which there was strong mutual respect between central financial administrators, CVE professionals and departmental academics which was based on a shared understanding of, and commitment to, the institutional plan for CVE. This need for mutual respect, and the importance of the university-wide role of CVE professionals, is referred to again later - as is the effect of requiring CVE units to be self-financing (as well as CVE courses).

3.3 Terminology

Concepts of 'self-financing' beg many questions about price and cost. Whose price and at what cost?

- (i) The true price is everything sacrificed by the user to obtain training, including their time.
- (ii) The money-price, or fee, is only part of (i).
- (iii) The direct, identified expenditure is only part of the cost.
- (iv) The true cost includes (iii) plus both indirect and opportunity costs.

3.3.1 Price

The non-money price may be a major determinant of demand. This was illustrated in the case-studies on distance learning and has a direct bearing on the 'price-sensitivity' (i.e. the fee sensitivity) of CVE provision. It challenges some assumptions on fee levels and the imperative of maintaining them at comparatively low levels.

3.3.2 Directly attributable course costs.

These are the identified costs, to the provider, which arise solely from the provision of the programme. They divide between 'fixed costs' and 'variable costs' and these, and other definitions, are given in Paul Milne's paper and the PICKUP guide listed in the references (2.5).

The extent to which costs are identified varies and may be linked to internal accountancy procedures for postage, telephone, secretarial time, etc. However precise the identification is, there will be additional institutional costs which it is not practical to allocate.

3.3.3 Overheads.

Although these non-attributable costs are universally called 'overheads', overheads do not universally include the same things. Some will, for instance, include the cost of the financial administration, or the use of all buildings (including teaching rooms). These are examples which some other universities are required to provide departmentally, or cost separately.

This paper compares different levels of overhead, but does not correlate these to the different ranges of services which they include. Indeed, not only was there often uncertainty around the level of the overhead, but also about the inclusion, or exclusion, within it of certain services (e.g. room hire, AVA). This may be part of the balance between encouragement and control and the 'uncertainty' could be part of the necessary flexibility.

A further element in this rather complicated equation is the cost of the CVE unit and of the course administration which it may provide. Encouragement, particularly to new providers to develop high quality CVE, may be given by including part, or all, of these costs in a single, uniform central overhead. Alternatively the costs may be met by additional overheads on the courses which the unit administers (in addition to the direct attributable costs).

3.3.4 Opportunity Cost.

This normally refers to staff time, but could equally apply to any limited resource where alternative benefits are foregone (one university, for instance, only charged CVE for teaching rooms during term). The precise definition is important. It is used here to mean the value the resource would have had if the next preferred alternative (to CVE) had been chosen instead.

The opportunity cost of academic staff time is either the value to the university of other university work which would have been undertaken (e.g. degree teaching, administration, research), or the value to the individual of more leisure or more private work, if this is the realistic alternative to CVE. (The total employment cost of a staff member can be divided by their hours, but this is only an approximation of the opportunity cost. When this is done for academic staff, the most common multiplier of net salary to determine employment cost is 1.26 and the most common divider for days worked is 220 p.a.)

Although employment cost is a handy proxy, it may not always be a good measure of the opportunity cost of staff - particularly in the shorter term. An example could be the potential benefit of improving a department's research rating in the period immediately before a selectivity exercise. Alternatively, if the benefit foregone was more private work, the opportunity cost would be the market rate for that individual. If they would have had more leisure, there is no monetary cost.

The behaviour of academics is influenced by their university's attitude to the opportunity cost of their time. If it is not included as an attributable cost, and this is rare, they may want to see it **either** reflected in the size of the course surplus credited to their department, **or** receive a fee in line with their market rate (this is referred to again in section 6.2).

3.3.5 Marginal Costs.

These make no contribution to overheads, nor to fixed costs which are already committed (e.g. staff already employed, unused rooms, etc.). Marginal costs do include all the variable costs and any fixed costs which have to be bought in (e.g. publicity and external speakers). There has been a temptation, in the past, to base CVE on marginal costs. In an attempt to counter this, some universities require budgets which are submitted for 'pricing' (i.e. fee approval) to include items which are subsequently excluded from the course accounts. Such budgets might, for instance, include a central overhead of 120% of all staff costs and include staff opportunity costs. The purpose would be twofold: to raise the price and to increase the surplus. This would provide immediate incentives to departments and to individuals and make CVE more sustainable in the long-term.

4. ADMINISTRATIVE SYSTEMS

Nearly all CVE activities are required, by their universities, to have discrete account numbers. A common exception is provision made by some autonomous, self-financing centres or institutes, whose requirement is to balance their accounts annually. This may also apply to some very large departmental providers of CVE (e.g. business schools). Far less commonly this exception may be extended to the 'trading accounts' of all subject, and CE, departments. The normal system is, therefore, based on a discrete course account number.

There are other issues which impinge on this, such as the extent to which departments and individuals are required to conform to central regulations. Most universities forbid departmental bank accounts and have rules on declaring private work. How such regulations are enforced varies. It is particularly curious that some limited companies set up by universities to exploit inventions, or to facilitate technology transfer, are being used to frustrate the regularisation of CVE activities. (One such company even complained that its training contracts were being undercut by the university!)

4.1 Planning

All universities have set FTE targets for CVE in their planning statements to the UFC and revenue targets in their financial plans (though these may be for 'other services rendered' in general, rather than for CVE in particular). Only a few examples were discovered of these CVE targets being required in **all** departmental plans (even where the target was nil), even though it was the department which was normally the focus of responsibility for CVE delivery. Where such targets were used, they were more likely to state revenue than FTEs.

There are clearly problems. Too much emphasis on revenue may obscure the strategic objectives and even divert energy into other, more profitable, activities. The planning process, and the way in which institutional objectives are reflected in departmental plans, is still evolving. It did not seem, in most of those universities visited, to have yet properly included CVE.

4.2 Operation

Most of the central finance systems which were observed tended to see course proposals/budgets as ad hoc 'job numbers' and to use a cost control approach. Indeed, there was a marked contrast in emphasis between central finance and CVE units. The former concentrated on the collection of overheads and control of costs, while the latter saw their role more in marketing (course design, targeting, pricing and market share). There were also interesting contrasts between different universities in how they divided the responsibilities. Who approved course budgets and fees (if this was a requirement) and how much of the CVE unit's work was advisory, or executive. The following points emerged from the visits.

- CVE units, especially those which were not 'academic departments', needed a university-wide financial role. Some had linked this to development funding, rather than to the financial administration of courses.
- financial administration should be more than the control of costs and collection of overheads. It should also include pricing, financial sustainability and meeting the universities strategic objectives - whether this financial role is administered through finance office, CVE, or some alternative to, or combination of, these.

- The 'policing' of financial regulations may be undertaken more appropriately by a finance office, than by a CVE unit.
- On-line access to computerised accounts is increasingly assisting both HoDs and CVE units. A good alternative is an automatic monthly print-out of all short course accounts to both.
- The importance of the HoD'S management role is often being emphasised by, for example, requiring them to formally approve CVE proposals. They invariably had discretion on all payments to their staff.
- Most universities had decentralised CVE delivery (i.e. an 'integrated' model across all subject departments), but this was not supported by the use of departmental planning targets for CVE.
- The way in which financial regulations were administered was often more important than the regulations themselves. If the policy objectives were clear, the regulations fair and flexible and the financial administration efficient, this could contribute more to the acceptability of the 'controls' than the level of the financial 'encouragement'.
- Some universities had regulatory manuals on all full cost recovery work. This may be necessary, but can be inhibiting to new CVE providers. Such people can be helped by published guidelines solely concerned with CVE, which combine regulation with advice and which may include check-lists, budget pro-formas, etc.

4.3 Tax

Value Added Tax (VAT) is a liability, whereas the 1992 Finance Act offers limited opportunities on income tax.

The 'liability' for VAT is not to those who buy CVE courses which are usually judged to be within the normal educational activities of the university and, therefore, exempt, but to the university when it purchases goods or services for these courses. Not surprisingly there are variations!

Some universities levy no VAT on any of these courses, nor on any of the residential accommodation or catering which is an integral part of them. Others issue separate invoices for the two, with VAT included only on the latter. Yet others have arrangements which allow them to include VAT on both parts when there are substantial VAT payments to recover on both. Good practice would seem to involve combining good relations with Customs and Excise with the flexibility to recover all VAT payments made by the university on courses purchased by employed people for whom VAT recovery is not a problem. One university described setting up a company to buy in VAT-rated goods and services on behalf of all their university users and recover the tax. This is not the subject of this paper, but is one on which a briefing note would be appreciated.

Participants on courses recognised for National Vocational Qualification (NVQ) credit can now recover standard rate income tax on the fee, provided it is paid from their own (taxed) earnings. The Inland Revenue is unlikely to penalise individuals who subsequently recover the fee from their employer.

5. FINANCIAL CONTROL

There are many reasons for controls and most boil down to the **sustainability** of CVE. This is threatened when individuals, or departments, take their work outside the university, when the revenue cannot support the CVE infra-structure, or when the opportunity costs are not recovered. Control is also required if universities are to behave 'collegiately' for the good of all their members. Fairness and flexibility can most easily co-exist when both are directed towards a well understood corporate strategy.

Just three elements of financial control are included in this section. Their success will depend on the people, much more than on the systems. Each university, indeed each university department, has its own traditions and culture and responds best to 'controls' which are appropriate to its own situation and stage of development. The institution's 'personality', and those of the people involved, will determine the 'good practice' more than the procedures described below.

5.1 Budgets and Pricing.

Only two of the 21 universities visited did not require discrete short course account numbers and there was almost the same agreement on the need to submit, and have approved, a course budget. The main differences were in the extent to which control was exercised at the 'approval' stage, or left to 'market forces' (i.e. assuming that course organisers would learn from their financial success, or failure).

The later policy was most common and appears unsatisfactory, as unprofessional budgeting will both spoil the market and discourage the provider. Although the Universities Statistical Record (USR) Form 3 data on fees shows that short courses contributed some £67m. in 1990/91 to university revenue, little importance was attached to budgets and fees by many finance officers. This is probably due to the concentration of CVE in departments with large programmes and in which these issues are already well understood.

There were individual budget items which varied greatly between universities. One was the cost of teaching accommodation. Some were seeking to devolve all such costs to faculty/departmental budget centres. Others allocated accommodation, but not its cost, to departments. A further group expected room-hire, whether departmental or central, to be included in each budget. Similar variations existed with other items and many, such as opportunity costs of academic and support staff, were excluded or fudged. This has already been mentioned in paragraph 3.3.5 on Marginal Costs.

5.2 Overheads

The following table summarises the level of overhead retained centrally in the 21 universities visited.

Overheads

University	Nil	% Cost	% Revenue	% Surplus	Combination
1				15	
2		40		+10	✓
3		40		+50	✓
4			10		
5			10		
6		15	(or 20)	+20	✓
7				9(25)	
8	✓				
9			15		
10			20		
11	✓				(✓)
12			15		
13			17		
14	✓				
15			20		
16	✓			(or 25)	
17	✓				
18		30		+50	✓
19	✓				
20			18		
21		20			

(Note: this table summarises the figures which are explained more fully in the appendices)

In about a quarter of the sample there was some combination (normally a percentage of cost, plus a percentage of surplus) and in another quarter the overhead was nil, or generally waived. Approximately equal numbers used costs and surpluses as parameters in the calculation. Many were dissatisfied and expressed this on the questionnaire (Section 2.1) and during the visits. Many universities were making changes. There was a strong movement towards top-slicing fee income because this was unambiguous and simple. Correctly identifying costs and surpluses can be complicated and requires good management accounting, if it is not to be manipulated by **academics who identify much more strongly with their department, than with their university.** 'They (academics) are too clever by half' was the comment of one despairing administrator who had found that overheads had failed to reach the levels forecast.

Almost half the universities visited now top-slice the fee income by between 10% and 20%.

Most interestingly, when the level of overhead is compared with success (as measured by the size of the CVE programme and its rate of growth) there is only a low level of correlation - **with the most successful able to retain the highest level of overhead.** The same overhead level, for instance, of 30% costs plus 50% surplus was being used by one very successful university while it was causing problems at another, where there was a different situation.

Universities also differed in their treatment of self-financing institutes and centres. While some excluded them from the requirement to pay central overheads, another university took the opposite view. It confined the requirement to pay overheads to such centres.

While poor CVE performance was sometimes associated with low overheads, or inadequate accounting, it did not follow that improved financial administration would, by itself, improve performance - **unless it was part of a coherent and comprehensive policy, with strong leadership and the appropriate infra-structure.** It cannot be stressed too often that different controls are appropriate at different stages of development and how they are implemented is as important as the regulations themselves.

The place and level at which discretion is exercised must be appropriate. Financial administration must reflect CVE management objectives, whilst protecting staff from being 'hassled' over issues which are best resolved elsewhere. This is best illustrated anecdotally. One finance officer customarily negotiated lower overheads from the university's largest CVE providers, while requiring the full contribution from new or small departments, on the principle of favouring good customers. This did not reflect that university's policy of encouraging new departments.

Another university endangered the good relationship of its CVE unit with departments by allowing it to become overwhelmed by financial arguments resulting from policies it could not determine, or from inefficient accounting which it did not control.

Overheads are currently a contentious issue, together with payments to staff, and should be worked through with the same investment of time by senior university managers as other policy changes which may seem to threaten the systems which academics cherish.

5.3 Performance Indicators.

Few universities, surprisingly, were combining their short course account records with student registration data, though both are required by the USR.

Table 2A of the USR's Form 3 records 'Short Course Fees' which are sub-divided in Table 7 by 'Aim of Course' (codes 1 to 5). These data are shown below, with the corresponding CER FTE statistics, for 1990/91 (the fee income/participant hour has been added by simply dividing the income by the participant hours)

Short Courses 1990/91

	Non-updating (codes 4 & 5)	INSET (code 1)	Updating (Codes 2 & 3)
ITEs @ 300hrs	30,994	3,150	16,468
Fee Income	£15m.	£7m.*	£46m.
Fee Income/ Participant hr.	£1.6	£7.4	£9.3

(*Note this includes Head 3a/b and Head 3c)

FTEs are derived from the number of fee-paying participants and so the CER and Form 3 should be measuring the same activity, so do the scales correspond? 'Training in Britain', published by the Training Agency in 1989, quoted the cost of off-the-job training, per day, by provider, as:

FE College	£9
Polytechnic	£15
University	£37

If the university figure is increased in line with inflation, it would have been at least £45 per day by 1990/91, which is slightly less than £9.3 per hour, but of very much the same order. This suggests an average fee on all CVE short courses of around £60 per participant day. This enquiry suggests that this is probably correct, though much of the better known CVE provision costs more.

The following parameters should be available in every university either from their FTE, or their short course account records.

- (i) Number of participants
- (ii) Fee/participant (open updating) total fee (closed updating)
- (iii) Theoretical gross revenue (multiplying i by ii)
- (iv) Actual gross revenue
- (v) Actual net revenue (excluding residential and catering charges)
- (vi) Actual contribution to central overheads.
- (vii) Declared surplus to department
- (viii) Surplus, as a percentage of cost

The DES/FESR Short Course Record, used by the polytechnics and colleges, is unlike the CER and does include the fee (ii).

Only two or three examples were found during the visits of short course accounts being used as comprehensive performance indicators, to give statistics such as:

- fee/participant hr.
- percentage discounting and bad debts
(difference between iii and iv)
- revenue/course hr.
- departmental surplus/course hr.
- actual overhead contributed, as % net revenue

Those universities with all their short course records (financial and FTE) on a single data-base may well be doing a much more comprehensive analysis than this. Such universities may feel that financial performance indicators do more than 'control' and give 'encouragement' to at least half of their providers.

6. FINANCIAL ENCOURAGEMENT

Financial encouragement may, of course, include much more than direct payment for work done. Where financial planning targets exist, their achievement may carry indirect rewards - or the avoidance of penalties. Staff appraisal is another opportunity for encouragement.

This Section cannot properly describe the 'strategic' advantages referred to in Section 3.1, though one university has produced an excellent booklet (University of Manchester: Case-Studies Highlighting the Strategic Benefits of Continuing Education and Training). These tend to be longer-term and reference is made here only to the very short-term incentive systems being used.

The questionnaire, referred to in Section 2.1, had the question:

'Are financial incentives to departments/staff currently impeding or encouraging the development of more, or better, CVE?'

Eight of the 27 respondents said it varied across their departments, but indicated a range, so their replies have been weighted to give the following overall percentages.

	Impeding		Encouraging	
	greatly	slightly	greatly	slightly
%	11	36	20	33

A much more 'encouraging' response than the earlier one on financial administration.

The 1984 UGC CE Working Party Report, already referred to, said:

'We recommend that universities should establish a financial policy which provides adequate incentives to departments and their staff to organise successful PEVE courses.'

Although some staff still receive payment direct from a CVE unit, rather as they would in adult education, financial 'incentives' now tend to be paid to departments, with discretion to reward individuals as they wish.

6.1 Departmental Incentives

As an increasing number of universities are collecting CVE overheads by top-slicing fee income, more departments are consequently being credited with 100% of the surplus. This stands out in the following summary of the 21 universities visited:

Departmental incentive

Fee, linked to individual tutors	% of surplus					total
	50	75	80	90	100	
2	2	1	1	1	14	21

There are three points which particularly struck the writer.

- the 'big earning' departments, such as business schools, often have their own arrangements - as do many self-financing centres and institutes. Although the majority seem to have 'negotiated down' the general overhead, and so increased their departmental incentive, there were also cases of the reverse happening.
- Rewards are often in proportion to risk. Most universities were allocating deficits in the same way as surpluses. A few CVE units either contracted to share the risk, and the surplus, or offered a measure of 'insurance' to departments with developing CVE programmes.
- Departmental responsibility is being increased with cost centring, but their traditional 'autonomy' seems to be reducing in some universities, as corporate strategies gain strength (e.g. modularisation).
- Most universities are integrating the delivery of CVE into departments and seeking to make CVE course surpluses a more significant part of departmental 'earned income'.

6.2 Individual control and incentives.

It is not possible to talk about payments to staff without referring to 'control'. Section 3.3.4 on 'Opportunity Costs' mentioned that the 'next-preferred alternative' to CVE might be more university, or more private, work. Most universities have had regulations on private work for a long time and these seem to have recently been undergoing a spring-clean. Some CVE teaching is contracted at the market rate, provided paid days are included within that university's allowed limit for private work (in this sample the maximum allowed ranged from 22 to 45 days p.a.).

These regulations are most likely to apply to 'tenured' staff. There are now substantial numbers of staff on fixed-term contracts. These are the people most likely to have CVE as part of their normal duties and not to be paid (but most likely to be young and to need the money!).

The following is a somewhat impressionistic summary of the policies:

Payments to staff

never	rarely	sometimes	normally	always	TOTAL
0	1	6	11	3	21

This can only be subjective, as payment is so much at the discretion of the HoD and few universities appeared to have firm guidelines. Where such guidelines did exist, they often sounded dated.

More than half (12) of the universities said that payments could be fees, a percentage of the surplus, or in kind. This last option of allowing staff work-related expenses in lieu of a fee has two advantages. It compensates for reduced departmental budgets for books, PCs, conferences, etc. and is tax free. Not surprisingly, it is increasingly being preferred.

Some examples of regulations on payments which had been successfully challenged by staff (in their own Senate, etc.) and which should therefore be adopted with caution were to restrict payment to courses taught 'outside normal working hours' and to 'courses declaring a surplus' (though payment in kind would normally only be available from course surpluses).

Times have changed a lot since the Johnson Committee reported in 1984, but their recommendation has lost none of its interest. At least the present diverse, and devolved, practices of universities are satisfying half of the UCACE respondents to the questionnaire.

7. CONCLUSIONS

- 7.1 All universities accepted the requirement for CVE to be 'self-financing' and adopted their own definition of this.
- 7.2 The primary **objective** of CVE is rarely income generation, though this is likely to be a necessary **condition** for sustainability.
- 7.3 Most UCACE respondents believed that their financial administration was impeding development.
- 7.4 Financial administration must reflect organisational objectives and the **rationale behind** developing CVE.
- 7.5 CVE budgeting and accounting should be managed by staff who understand CVE and are trusted professional colleagues in its administration.
- 7.6 The ways in which financial regulations are administered are often more important than the regulations themselves.
- 7.7 CVE units need to be 'hybrid-crosses' that combine academic credibility and strong links with central administration. Too many seemed to be one or the other.
- 7.8 The opportunity cost of CVE is rarely fully included in the costing of courses and the fee is sometimes too low to sustain and develop the activity and the related infra-structure.
- 7.9 Pricing is being aimed at the maximum the market is **thought** to be able to bear, contrasting with 7.8.
- 7.10 Overheads are extremely variable, as is the range of services they include. This again threatens sustainability and underlines the fragile condition of much CVE delivery, outside the high-fee and high-volume areas.
- 7.11 Much of the financial administration is cost-led. CVE units are often trying to be 'market-led' in institutions which are 'funding-driven'.
- 7.12 Some universities are creating conflicting pressures on CVE units by requiring them to be self-financing **and** accept institutional responsibilities (e.g. liaison with external agencies).
- 7.13 An integrated model of involving all subject departments in CVE delivery has been widely adopted. HoDS now have a crucial role.
- 7.14 There was little evidence of CVE appearing in departmental planning statements or of financial data being used as performance indicators - other than rather crudely to meet earned income targets.
- 7.15 Nearly all universities report excellent course accounting, with discrete short course account numbers.
- 7.16 Most universities have some flexibility within their financial system and this is often very important.

7.17 There is a need for a briefing rate on VAT.

7.18 Departmental incentives fit well into the present cost centring arrangements.

7.19 Individual staff payments are widespread. Rewards in kind have many advantages and fees might usefully be linked to regulations on private work.

APPENDICES:

**Summaries of the financial arrangements at the
21 universities visited.**

- 1 **Who Controls.** Finance Office controls the collection of revenue and the interpretation of financial statements. (The CVE unit controls the dispersal of development funds).
- 2 **Focus of Responsibility.** Subject departments, who are encouraged to develop their own CVE strategy and courses and the CVE unit, which has a pro-active role with those departments who wish to have an 'external enabler'.
- 3 **System of Control.** Each short course has a discrete account number. This may be obtained direct from Finance, or by submitting a budget to the central CVE unit. Courses administered through the unit can, initially, be eligible for 'bonus' payments towards their development costs. After 12 to 15 months these cease. Also they may negotiate a 'guarantee against loss' for all courses which are likely, but not certain, to generate a surplus.

The CVE unit has university-wide responsibility for accreditation of CVE short courses and for new modes of delivery (e.g. distance learning).

- 4 **Central CVE Support Services.** The CVE unit is part of central administration and quite separate from adult education. It offers financial planning, marketing and administrative services for which departments pay no cost.
- 5 **Overheads.** The university requires 15% of net fee income (i.e. gross income, less residential and catering charges).
- 6 **Individual control and incentives.** Each HoD decides whether, and how, to pay their staff for CVE. Some form of reward is common and may be a fee, a percentage of the surplus, or in kind (i.e. work-related expenses).
- 7 **Departmental incentives.** 100% surplus (plus one only of a development 'bonus', or 'guarantee against loss') after the payment of overheads and expenses.

- 1 **Who Controls.** Joint between Academic Secretary's Office (which includes a Central Vocational Short Course Support office headed by an Assistant Registrar) and Finance (Research Grants and Contracts office). Strong central control. Some flexibility.
- 2 **Focus of Responsibility.** On subject departments HoD who must countersign all budget proposals and accept all deficits.
- 3 **System of Control.** All short courses must have a specific identified account.
All proposed short courses must complete a budget form and submit it to Finance Office.
Inadequate items (e.g. a low fee) can be queried before an account number is released.
- 4 **Central Services.** No central service for undertaking specific short course administration (promotion, bookings, etc.) but general assistance with financial budgeting, marketing, etc.*
- 5 **Overheads.** 40% of specified direct costs, net of accommodation/catering, travel and equipment. For courses falling at the lower end of profitability this figure can be reduced to a minimum of 10%. (Currently c. 20% of courses have the overhead reduced).

10% of course surpluses is also retained centrally.

Special initial arrangements can be negotiated with (self-financing units) and with departments new to the activity, but always with a view to implementation of the standard system in due course.
- 6 **Individual control and incentives.** All private work must be notified and is limited to 35 days p.a. Each HoD decides whether and how to reward staff for CVE. This may take the form of a fee (minimum recommended is the EMD rate), % of surplus paid into discretionary account for other uses, release from other activities etc.
- 7 **Departmental incentives.** 90% of surplus.

* Note Programmes of inter-disciplinary courses of both short-term and long-term CE are also run within the Division of Adult Continuing Education.

- 1 **Who Controls.** Finance Office. Strong central control with little flexibility. Published rules on financial administration covering all revenue generation (including revenue targets for departments).
- 2 **Focus of Responsibility.** Effected through central marketing unit in an organisational and facilitating capacity. However, subject delivery is decentralised to Departments. In addition each School has a stated CVE strategy and targets.
- 3 **System of Control.** All short course activity is costed and priced in accordance with central University policy. A financial control form is completed before each event is allocated an account code by the finance department.
- 4 **Central Services.** The central CVE unit provides a comprehensive administration service, including market research, without additional charges - other than direct attributable costs.
- 5 **Overheads.** The recommendation (following the principles of the Hanham report) is that departments charge a minimum of 100% overhead on actual direct staff costs. 50% of the overhead recovered is repaid to the School.
- 6 **Individual control and incentives.** All private work must be ratified with a maximum of 45 days p.a. For each day of private work ratified the university should be paid £125 (divided equally between the centre and the school) for which staff can use the university name and receive insurance cover. Staff do normally receive fees for teaching on CVE courses. Where fees of above £250 per day are realised the increased margin above £125 per day is payable to the individual.
- 7 **Departmental incentives.** Schools have agreed targets for services rendered activity. Of the fee income accruing from staff involvement in CVE the first £125/day is divided equally between the School and University central funds.

- 1 **Who Controls.** Finance Office. Strong central monitoring of costs and overheads but the role is reactive. The 'Hanham Sub-Group' of Resources Committee (with involvement by Registrar and Bursar) can authorise overhead waivers (e.g. on ESF contracts).
- 2 **Focus of Responsibility.** On subject departments who have autonomy (and may disregard central advice. Decentralised management. It is optional, for instance, whether or not CE is included in a department's financial plan.
- 3 **System of Control.** A 'Short Course Proposal and Cost Assessment Form', countersigned by HoD, must be submitted to Finance for all CVE activities and a discrete short course account number is allocated. This proposal form includes the theoretical indirect costs (overheads) which are of the order of 120% of total staff costs, and break-even numbers to encourage realistic pricing. Some departments may also use their own budget forms for actual expenditure.
- 4 **Central CVE Support Services.** No central services. The CVE department (through its PICKUP Officer) offers free encouragement and advice. The CVE department will provide any service required, up to and including the total running of courses, at a negotiable fee. (The CE department is responsible for about one third of the university's CE).
- 5 **Overheads.** 10% of net revenue (i.e. fee income, less charges for meals and accommodation).
- 6 **Individual control and incentives.** Staff may undertake commercial work through their department, through the university's limited company, or privately (for which permission should be sought). Staff normally receive payment for CVE work undertaken through their department, either fees or a share of the surplus, at the HoD's discretion. CVE staff receive no payment for courses but can undertake external consultancy. No payments can, however, be made until the course account is ruled off and a positive balance transferred to the department.
- 7 **Departmental incentives.** 100% of surplus (after overheads and expenditure).

- 1 **Who Controls.** The Short Course Office (within Industrial Liaison) which is part of central administration. The SCO has authority to waive overheads, but this is not advertised and nearly all providers pay the standard rate.
- 2 **Focus of Responsibility.** On subject departments. The university has adapted a decentralised model for the management and delivery of CVE. Responsibility remains with the HoD throughout.
- 3 **System of Control.** There is a standard system for approval and financial monitoring, with departmental autonomy for implementation. Pro-formas must be completed for each CVE activity. This form includes forecasts of income and expenditure must be countersigned by the HoD, approved by the SCO before a short course account number is granted.
- 4 **Central CVE Support Services.** The SCO provide services, for which there is no additional charge, but rarely fully administers courses. Most help is with financial planning and less often with promotion, bookings, etc.
- 5 **Overheads.** 10% of revenue.
- 6 **Individual control and incentives.** Staff may be paid, at the discretion of the HoD, and normally are. The university has guidelines which limit paid (private) work to 25 days p.a., or 25% of salary, but these do not specify rates of pay for CVE (which may need to offer the market rate). Staff are required to complete an 'Outside Work Form'.
- 7 **Departmental incentives.** 100% of surplus (after overheads and expenditure).

- 1 **Who Controls.** The central CVE unit, which has its own financial/clerical officer. The unit has discretion to negotiate flexibly.
- 2 **Focus of Responsibility.** Departments are seen as being responsible, with the CVE unit as a very pro-active facilitator - though more than half the programmes are 'owned' by the central unit, which accounts for much of the new work in recent years.
- 3 **System of Control.** Every short course must have a discrete account number which can only be obtained through the CVE unit (which is part of a CE Centre which includes adult education and industrial liaison). The 'Short Course Approval and Budget Submission' form is discussed and the unit will negotiate/allocate critical items. All providers have on-line computer access to their own short course accounts.
- 4 **Central CVE Support Services.** The CVE unit is 'high profile' for both financial control and the provision of services. It offers commercial marketing and administrative services, for negotiated fees. Where the marketing and/or development costs are shared, the surplus is also shared.

The preparations attributable to each are separately negotiated and confirmed by letter. Basic support and advisory services are provided, without charge, as part of the central overhead.
- 5 **Overheads.** Calculated as a percentage of surplus - nominally 25%. This is usually negotiated down, as much CVE provision is located externally. Average contribution to central overheads is between 7% and 9% of surplus.
- 6 **Individual control and incentives.** Courses run by the CVE unit do make payments to the departmental staff involved. There is no uniform policy on the other (shared or departmental) CVE short courses and few staff teaching on them receive payment.
- 7 **Departmental incentives.** Departments are credited with all of the surplus (less the central overhead of, say, 9%) unless the course is 'shared' with the CVE unit. Development 'loans' are repaid at this stage. The Departmental surplus should, as a minimum, cover the opportunity costs of their own staff.

- 1 **Who Controls.** The central CVE unit, which has its own financial/clerical officer. The unit has discretion to negotiate flexibly.
- 2 **Focus of Responsibility.** Departments are seen as being responsible, with the CVE unit as a very pro-active facilitator - though more than half the programmes are 'owned' by the central unit, which accounts for much of the new work in recent years.
- 3 **System of Control.** Every short course must have a discrete account number which can only be obtained through the CVE unit (which is part of a CE Centre which includes adult education and industrial liaison). The 'Short Course Approval and Budget Submission' form is discussed and the unit will negotiate/allocate critical items. All providers have on-line computer access to their own short course accounts.
- 4 **Central CVE Support Services.** The CVE unit is 'high profile' for both financial control and the provision of services. It offers commercial marketing and administrative services, for negotiated fees. Where the marketing and/or development costs are shared, the surplus is also shared.

The preparations attributable to each are separately negotiated and confirmed by letter. Basic support and advisory services are provided, without charge, as part of the central overhead.
- 5 **Overheads.** Calculated as a percentage of surplus - nominally 25%. This is usually negotiated down, as much CVE provision is located externally. Average contribution to central overheads is between 7% and 9% of surplus.
- 6 **Individual control and incentives.** Courses run by the CVE unit do make payments to the departmental staff involved. There is no uniform policy on the other (shared or departmental) CVE short courses and few staff teaching on them receive payment.
- 7 **Departmental incentives.** Departments are credited with all of the surplus (less the central overhead of, say, 9%) unless the course is 'shared' with the CVE unit. Development 'loans' are repaid at this stage. The Departmental surplus should, as a minimum, cover the opportunity costs of their own staff.

- 1 **Who Controls.** Finance Office (in consultation with the CVE co-ordinator, who is a member of the central administration). Their role is to monitor, perhaps question, but not to dictate.
- 2 **Focus of Responsibility.** Subject departments, represented by their HoD, have autonomy.
- 3 **System of Control.** All CVE activities with an estimated cost of more than £200 must complete a budget form, countersigned by the HoD, and receive a discrete account number. This form includes a calculation of overheads @ 40% of costs (other than catering costs @ 50%) even though these are not levied.

Monthly print-outs of income and expenditure are produced automatically so long as a short course code remains in operation.
- 4 **Central CVE Support Services.** The central CVE co-ordinator is involved in planning and control. This facilitating role does not include financial, marketing or administrative services.
- 5 **Overheads.** All overhead charges are waived for CVE activities.
- 6 **Individual control and incentives.** Staff are permitted to 22 days private paid work p.a. If they choose to use part of this time for CVE activities they can be paid at the appropriate 'external' rate (e.g. £20 per hour for a Senior Lecturer) and 'claim' up to 50% of the credited, departmental surplus. This may be paid into an individual 'research' fund as an alternative to taxed earnings. All staff choose to be paid.
- 7 **Departmental incentives.** 100% of the surplus (or deficit) is credited to the department. These balances can be rolled forward between financial years.

- 1 **Who Controls.** Finance Office approves proposals and can, for instance, waive overheads if a course is in deficit.
- 2 **Focus of Responsibility.** Subject departments. All proposals are the responsibility of the HoD and the university operates a decentralised model for the management and delivery of CVE.
- 3 **System of Control.** A 'Short Course Estimate Form' is submitted to Finance and approved by a management accountant assigned to short courses. The CVE unit is consulted by departments prior to submission, and by Finance after.
- 4 **Central CVE Support Services.** The central CVE unit (part of a CE Centre which will become a 'subject department') has its own CVE programme and can provide a complete short course service for an additional 10% of the fee income (making 25% with the central overhead). New providers receive substantial help and advice free; old providers are strongly encouraged to become self sufficient.
- 5 **Overheads.** 15% of income.
- 6 **Individual control and incentives.** Every department has its own policy, administered by the HoD, but the general culture is towards payment.
- 7 **Departmental incentives.** Subject departments receive 100% surplus, after overheads and expenses. Surpluses (or deficits) can be rolled forward between financial years.

- 1 **Who Controls.** Only the central administration unit can open short course account numbers with the Finance Office. Without such a number it is impossible to make internal requisitions for services such as room bookings, catering, car parking, residences, AVA, printing and library cards. The central administration unit also has discretion to waive overheads, though this is very rarely used.
- 2 **Focus of Responsibility.** Subject departments (including adult education) have complete responsibility for CVE provision, which is all decentralised. They run courses and monitor their own short course accounts (using on-line computer access).
- 3 **System of Control.** All providers must submit a 'Short Course Budget' and a VAT exemption form to the CVE unit, which is part of the central administration. The unit also uses the on-line access to short course accounts to monitor and to 'trouble-shoot'.
- 4 **Central CVE Support Services.** The CVE unit co-ordinates and facilitates (including staff development) but does not itself provide administrative services other than with finance and monitoring. The university's conference office offers a commercial administrative service, for fees negotiated with each provider, but until now there has been no central marketing of CVE.
- 5 **Overheads.** 20% of fee income (excluding residential and catering charges), CVE activities located externally, but accounted for internally, contribute only 5%, if previously agreed with the central unit. Some categories of work (e.g. liberal adult education and courses for students in full-time education) are zero-rated.
- 6 **Individual control and incentives.** Entirely at the discretion of each HoD. The norm is for staff to receive payment for short courses held during the vacations or in addition to normal contractual duties. Some never pay, see CVE as 'normal duties'.
- 7 **Departmental incentives.** 100% surplus, after overheads and expenses, is credited and balances can be rolled forward between years.

- 1 **Who Controls.** The central CVE unit and/or Finance Office, both operating very flexibly (see below).
- 2 **Focus of Responsibility.** Dual system. The principal provider of CVE is the central unit which 'contracts' subject departments to deliver training for agreed fees. Three or four of the larger providing departments operate independently.
- 3 **System of Control.** All short courses have discrete account numbers which nominated staff can raise with Finance Officer.

- 1 Contracted course. The CVE unit is of a self-financing semi-autonomous division of a CE centre which includes adult education. It enters into formal contracts with each tutor's HoD. Payment is agreed at an hourly rate and credited to the designated budget centre. Additionally, agreement may occasionally be reached to store the surplus. All costing and pricing of 'contracted' courses is the responsibility of the CVE unit, in discussion with the department.
- 2 Independent courses. Departments operating independently negotiate separately with the Finance Office.

- 4 **Central CVE Support Services.** Contracted courses are 'owned by' and fully administered from the CVE unit which costs this work to the appropriate short course account. The unit's revenue is, therefore, made up of 'overheads', administrative charges and short course surpluses (plus external grants, etc.).

Independent providers are in theory expected to liaise with the CVE unit with regard to maintaining standards of provision across the University. All other aspects are handled by the independent providers on their own.

- 5 **Overheads.**

- 1 Contracted courses. These are limited to the resourcing of the CVE unit and the university allow the unit to retain all of the overheads associated with its courses (i.e. the university waives its half of the 42% overhead).

Nevertheless, an overhead is calculated for all 'contracted' courses both as a contingency element in the account and present a more realistic (and less profitable) budget to the providing department. It is theoretically 42% of 'budgeted staffing costs', but could be 15% of all direct costs, or something between.

- 2 Departments operating independently negotiate separately with Finance.

- 6 **Individual control and incentives.** Staff do expect to receive part, but not all, of the fee credited to their budget centre - whether the course is in surplus, or not. And, more importantly, whether their budget centre is in surplus or deficit! The level of payment to individuals from monies received from the CVE unit is entirely at the discretion of the head of department. However, the amount should not exceed the rate that would be paid to an external tutor on vocational courses. The amount should not exceed the rate that would have been paid to an external tutor. The staff may, alternatively, receive benefit in kind.
- 7 **Departmental incentives.** The contracted staffing fee is credited to the department's budget centre, unless the short course has under recruited and does not break even. In which case the fee may be reduced in proportion to the recruitment.

- 1 **Who Controls.** Finance Office. CVE account numbers are raised direct by departments. There is some flexibility (e.g. to reduce a short course overhead).
- 2 **Focus of Responsibility.** CVE is decentralised, with the management and delivery entirely by subject departments (faculty planning units are increasingly responsible for resourcing, but within the resourcing model, CVE is an optional extra).
- 3 **System of Control.** Through the discrete short course account numbers. Budget holders (normally HoDs) automatically receive statements of accounts.

A costing exercise should be undertaken in discussion with the CVE unit for each course both to ensure sensible pricing and as a performance indicator to the department. This should include the opportunity costs of departmental staff. This discipline is strongly recommended and assists in the (informal) approval of the proposed fee by either Finance Office or the CVE unit, but is not a requirement.

- 4 **Central CVE support Services.** The CVE unit is part of central administration and quite separate from the adult education department. It is an 'enabling service' which normally discusses financial and marketing plans and gives help with databases and market research (including press cuttings). Limited promotional and administrative services are also available at cost.

The unit produces a manual (of advice and regulations) on marketing and planning short courses.

- 5 **Overheads.** 15% fee income (invoices for residential accommodation are VAT-rated and therefore separate and not included in the overhead).
- 6 **Individual control and incentives.** Payment is normal, but always at the discretion of the HoD (and is additional to the 'opportunity cost' referred to in 4 above). Some staff prefer payment in kind (i.e. credit in a discretionary account which they can use for work-related expenses).
- 7 **Departmental incentives.** 100% surplus (after overheads and expenses).

- 1 **Who Controls.** Finance Office, which is becoming less flexible (e.g. no longer prepared to waive overheads).
- 2 **Focus of Responsibility.** The university operates a dual system (of approximately equal volumes).
 - 1 Independent of the CVE unit, where responsibility is with the subject department.
 - 2 Course organised by, or through the CVE unit.

(A small number of self-financing units/centres have special arrangements which, for historical reasons, are separate).
- 3 **System of Control.** All short courses must obtain a discrete account number based on the Finance Office's 'Job Costing System'.
 - 1 Formal approval for 'independent courses is given by Finance Office who would discuss the budget with the provider (not necessarily through the HoD) and without using a standard pro-forma. The emphasis is on the collection of the overhead.
 - 2 The CVE unit allocates Finance Office account numbers, after discussing a detailed course budget using their own form. They also keep their own record of each account in parallel with, but separate from, the Finance Office.
- 4 **Central CVE Support Services.** The CVE unit is not part of the faculty structure but does have university-wide responsibilities for CE (the university has no adult education funding) which include staff development, quality and educational development (AVA, distance learning, etc.). It fully administers about half the university's CVE courses, for which it recovers its costs against each course account (the CVE unit has to be self-financing from short courses and external grants). It cannot afford to provide additional services to courses which it does not administer.
- 5 **Overheads.** 17% (tuition) fee income (i.e. gross income, less meals and residential accommodation).
- 6 **Individual control and incentives.** There are few university guide-lines, or rules, in this area (e.g. no requirement to ratify private work and no advice on payment).
 - 1 Finance Office will only make payments on the formal instruction of the HoD.
 - 2 CVE unit normally pay departmental staff.
- 7 **Departmental incentives.** 100% surplus (after overheads and expenses). Surpluses, and deficits, can be rolled forward between financial years.

- 1 **Who Controls.** The central CE unit (which is responsible for some CVE), or Finance Office/Faculty Accountant. Devolved financial responsibility, and flexibility, characterise the control of CVE.
- 2 **Focus of Responsibility.** Faculties/departments, of which CE is one - though it is different in providing all its own financial administration and oversees all its own CVE (and some other faculty's) CVE course accounts. Some self-financing centres/units elsewhere in the university are also special cases with independent administration, within an overall requirement to be self-financing.
- 3 **System of Control.** There is little imposed control outside the autonomy of each faculty, department or centre - other than to balance annual faculty accounts (see 7 below). CVE short courses must have discrete account numbers with Finance Office:
 - 1 Finance. Finance Office allocates account numbers and faculty accountants monitor short course account statements.
 - 2 CVE. The CVE unit allocates its own course code to each CVE activity which then goes into its administrative system for financial control, student registrations, etc. This system automatically compares actual expenditure to budget estimates.
- 4 **Central CVE Support Services.** CVE is part of a CE (faculty) department, which includes adult education. It has, for instance, some teaching rooms allocated to it (like all other departments), and makes its own arrangements when it requires additional space for its own, or other departments CVE short courses. University-wide encouragement and control of CVE is exercised through a major Senate Committee. The CE unit will undertake to provide complete, or part, administrative services to any CVE course offered elsewhere in the university.
- 5 **Overheads.** Nil. Overheads on CVE short course accounts (as opposed to UFC grants) are extremely rare (though one department with a well-established programme, outside the CE unit, pays 20%).
- 6 **Individual control and incentives.** CVE courses run by CE sometimes pay tutors much as they would for adult education and sometimes more.

Courses organised by the CE unit in collaboration with other departments make payment to both the individual tutor and sometimes to their department. Fees for teaching and for and for directing and/or developing courses are sometimes negotiated.
- 7 **Departmental incentives.** 100% of course surplus, or deficit, is credited to most faculties/departments. Surpluses, or deficits, cannot be rolled forward between financial years.

- 1 **Who Controls.** The CVE unit, within strict financial guide-lines determined by the university, for courses organised through it. Autonomous units deal directly with the Finance Office.
- 2 **Focus of Responsibility.** This is somewhat confused, as delivery is devolved to the subject departments yet 'responsibility' tends to focus upon the CVE unit.
- 3 **System of Control.** The CVE unit controls all vocational short courses organised through it and has its own staff responsible for finance. The practice varies for autonomous units. For each course administered by the CVE unit a budget is agreed with the course leader. After the course has run a statement of income and expenditure is produced with the approval of the course leader, signed by the leader and countersigned by the HoD. Overall CVE income and expenditure is monitored by the Finance Office on an on-going basis.
- 4 **Central CVE Support Services.** The CVE unit is part of a CE department, which includes liberal adult education. It offers CVE support across the whole university and controls the budgeting and accounting for all courses. Its role also includes staff development and quality. It provides a complete service for which it charges gross income minus residential charges (in addition to the 20% university overhead) plus directly attributable costs (including secretarial time). The unit administers approximately: 2/3 of the university's CVE work excluding INSET and Post-Graduate Medical School and is self-financing from short courses. Its services are comprehensive and may include market research, and course development through to assessment and evaluation.
- 5 **Overheads.** 20% of net fee income (i.e. gross fees, less residential accommodation and meals).
- 6 **Individual control and incentives.** Payment is at the discretion of each HoD. Some individual financial reward is expected, but this is increasingly paid in kind (i.e. work-related expenses) rather than in cash (now only about 1/3 take fees). The university does not set rates.
- 7 **Departmental incentives.** 100% of the balance after deductions is credited to the teaching department.

Surpluses, and deficits, can be rolled forward between financial years.

- 1 **Who Controls.** Finance Office, with authority from the Committee for CE (and advice from the CVE unit). Considerable flexibility.
- 2 **Focus of Responsibility.** Subject departments and related centres.
- 3 **System of Control.** All departments are required to follow published guide-lines and must obtain a discrete short course account number by application direct to the Finance Office.

The budget and fee should be discussed with the CVE unit, but this is not part of formal (approval) procedure and the unit does not receive print-outs of CVE accounts (other than its own).

- 4 **Central CVE Support Services.** Departments are responsible for running all their own short courses. The CVE unit has an advisory role and is developing its own portfolio of vocational, and non-vocational, CE in addition to its primary role of facilitating and co-ordinating CVE.
- 5 **Overheads.** 25% gross surplus - or 12•% if internal tutors choose not to be paid and prior agreement is obtained. CVE provided by self-financing centres/units is exempt from overheads.

Most CVE provision is either part of a self-financing unit, or fails to declare a surplus and so contributes nothing to central services (i.e. overheads), but this is to be changed.

- 6 **Individual control and incentives.** Staff employed in self-financing units, or with CVE contracts, teach short courses as part of their normal duties. This is the majority of work. Others may well be paid. This is left to HoDs and it is university policy to not 'police' local practice.
- 7 **Departmental incentives.** The university emphasises encouragement rather than control. 75% of course surpluses (100% in self-financing units is credited to the account nominated by the course organiser and approved by HoD).

Surpluses, and deficits, can be rolled forward between financial years.

- 1 **Who Controls.** CVE unit/Finance Office. The university favours a high degree of departmental autonomy.
- 2 **Focus of Responsibility.** 2/3 of provision is joint in which the CVE unit takes the lead role, though increasingly its policy is to devolve responsibility for CVE programmes to subject departments.
- 3 **System of Control.** The CVE unit is part of a CE (faculty) department, which includes adult education, though the unit is rarely the sole provider of a CVE short course. It is therefore a hybrid cross between 'departmental provider' and 'central administrator'. As 'departmental provider' it is not involved in, or even aware of, the systems used by departments who are not its 'clients'.

The 2/3 of the provision which is joint (mainly 'sub-contracted' to subject departments) develops its own financial arrangements with the CVE unit. These are similar to those for adult education and are accounted for within the CE department.
- 4 **Central CVE Support Services.** The CVE unit administers the 'joint' programme, sometimes in close association with CE/specialist staff within subject departments. The unit also provides extensive external (including European) liaison.
- 5 **Overheads.** The 'joint' programme is not required (yet) to declare separate short course accounts, or overheads. The unit's short course surpluses, or deficits, contribute to the CE department's accounts and when these are submitted annually, the university may call on the department's 'sinking fund' or ask it to declare a 'dividend' to the university.
- 6 **Individual control and incentives.** The adult education pattern of paying staff tends to apply, though the contract is increasingly with the department providing the teaching, rather than with the individual. In these cases, payment is at the discretion of the HoD.
- 7 **Departmental incentives.** The central 'ownership' of much of the CVE programme enables streamlined decision making and administration, but slender departmental incentives.

- 1 **Who Controls.** Finance Office. Prepared to negotiate.
- 2 **Focus of Responsibility.** Subject departments and related centres. The delivery is highly decentralised, but with unusually strong central leadership.
- 3 **System of Control.** CVE providers must obtain discrete account numbers direct from Finance and submit a draft budget. This may be queried, by Finance, before being approved.
- 4 **Central CVE Support Services.** There is no CVE unit as such. The roles of facilitating, coordinating, external liaison, research, etc. are integrated within a CE (faculty) department, which includes both adult education and a member of the Registrar's Department. The university has developed an infra-structure (which includes central groups for 'earned income' and 'strategy' and extensive designated residential and teaching accommodation) which is extremely supportive of CVE - particularly where the providers are large. It does not offer regular financial, marketing or administrative services even to new, or small, CVE providers.
- 5 **Overheads.** Budgets must include provision for an overhead equal to 40% of direct net costs (i.e. costs excluding residential accommodation and meals. This is divided 3:1 with the department, so 3/4 of net direct cost is retained centrally.

In addition, 50% of each short course surplus is retained centrally, though both elements of the overhead can be negotiated. (In cases of deficit, the 30% of direct costs would still be levied, but responsibility for the loss might also be shared 50:50).
- 6 **Individual control and incentives.** This is entirely at the discretion of the HoD who can contract to pay staff in cash, or kind, or build it into the regular workload and matrix.
- 7 **Departmental incentives.** 50% of surplus, after paying overheads and expenses.

- 1 **Who Controls.** Finance Office; though control seems more flexible (even 'hands off') than in the past.
- 2 **Focus of Responsibility.** Highly decentralised model with responsibility on subject departments, related centres, independent institutes and partnerships.
- 3 **System of Control.** By historical accounting using short course code, but not discrete account numbers. No requirement to submit budgets, or seek approval of fees, unless advice is wanted, or provision is joint with an external provider.
- 4 **Central CVE Support Services.** The CVE unit is hybrid academic/administrative, with responsibility for all staff development but no adult education. It will advise, if asked, and can provide financial, marketing and administrative services (for a fee).
- 5 **Overheads.** There is no liability for overheads if a department 'uses its own facilities'. Self-financing centres and institutes pay 20% of gross income. Residential and catering charges carry their own overheads.
- 6 **Individual control and incentives.** There are no guide-lines and payment is entirely at the discretion of the HoD. Much of the delivery is by specialist units/staff for whom CVE is a normal duty.
- 7 **Departmental incentives.** 100% of accumulated surpluses, which can be rolled forward between financial years.

- 1 **Who Controls.** Finance Office, moderated through the central CVE unit, which has sole authority to raise account numbers. Separate arrangements exist for a few very large CVE providing departments. There is some limited flexibility and, where this exists, is exercised on the recommendations of the CVE unit.
- 2 **Focus of Responsibility.** Subject departments. The university has a devolved modes for the management and delivery of CVE.
- 3 **System of Control.** Discrete account numbers are allocated to all CVE activities. In theory this requires the submission to, and approval by, the CVE unit of a course budget, fee, etc. and expenditure estimates are cash limited - unless an updated course budget is subsequently approved. In practice this is strictly enforced only when problems are anticipated.

Monthly accounts are available from Finance for all current course codes, but again these are used selectively according to how much intervention is deemed to be appropriate.

- 4 **Central CVE Support Services.** The CVE unit is a semi-autonomous division of a CE centre which included adult education. It is funded through central overheads (plus UFC grant, research contracts, etc.) and offers a comprehensive range of services without additional charge. These services are most likely to involve financial and marketing planning and will, if thought necessary, be extended to include all of the promotion and administration. The CVE unit does not have its own programme of courses, though vocational training might, in odd cases, be included within the adult education divisions programme.
- 5 **Overheads.** 18% of net revenue (i.e. fee income, less charges for catering and residential accommodation which are purchased from the university). The overhead is paid on that part of a course fee covering externally purchased meals/accommodation unless prior exemption is obtained from the CE unit. Overhead waivers are rare.
- 6 **Individual control and incentives.** The university norm is for staff not to be paid extra for CVE, though HoDs have complete discretion. The preferred arrangement is for that part of the departmental surplus to be used for rewards in kind. The university seeks to impose ceilings on both the level of cash payments and the balance between such payments and the remaining departmental surplus.
- 7 **Departmental incentives.** 100% of surplus, (after overheads and expenses).

Surpluses, and deficits, can be rolled forward between financial years.

- 1 **Who Controls.** Finance Office. Considerable flexibility in the past, but firmer guide-lines are now in place. The CVE unit, which is part of central administration and alongside industrial liaison, may advise on, but does not administer, the financial guide-lines.
- 2 **Focus of Responsibility.** The university has a decentralised model for the management and delivery of CVE, with responsibility resting with academic departments (Faculty Deans and HoDs).
- 3 **System of Control.** Discrete account numbers for all 'full-cost and non-standard' fee courses which are raised direct with Finance by completing a form for 'costing short courses'. This has to be approved by both the HoD and Dean at Faculty. HoDs receive monthly print-outs of all current short course accounts, with a copy to the CVE unit. There are designated staff within Finance dealing with CVE.

With increasing emphasis on the responsibilities of departments and Faculties (HoDs and Deans), advice is more likely to be given by the CVE unit here, than for the Finance Office (or CVE unit) to seek to amend course budgets after they have been submitted.

- 4 **Central CVE Support Services.** The CVE unit is funded from central overheads (or UFC grant) and provides advice, co-ordination and external liaison (including general marketing) free. Services to promote, or administer, specific short courses can be offered for a charge. The unit does not have its own programme of CVE courses.
- 5 **Overheads.** An overhead of 20% direct staff costs (academic and support) is paid centrally, with a further 20% of included in the budget as the 'departmental overhead'. Courses which are still being developed (i.e. in receipt of UFC development funds) are exempt.
- 6 **Individual control and incentives.** This is a grey area with no university norm. Payment for CVE is entirely at the discretion of the HoD and practices vary. Rewards can be offered in cash or kind.
- 7 **Departmental incentives.** 100% of the declared surplus (after expenses and 20% overheads). Surpluses, or deficits, can be rolled forward between financial years.